



Industry and Regulators Committee

Corrected oral evidence: The work of Ofwat—follow-up

Tuesday 13 June 2023

10.30 am

Watch the meeting

Members present: Baroness Taylor of Bolton (The Chair); Lord Agnew of Oulton; Baroness Bowles of Berkhamsted; Lord Burns; Viscount Chandos; Lord Clement-Jones; Lord Cromwell; Lord Gilbert of Panteg; Lord Reay.

Evidence Session No. 1

Heard in Public

Questions 1 - 8

Witnesses

[I](#): Professor Jim Hall FREng, Commissioner, National Infrastructure Commission; Ed Beard, Assistant Director, National Infrastructure Commission.

Examination of witnesses

Professor Jim Hall and Ed Beard.

Q1 **The Chair:** Good morning. This is the Industry and Regulators Committee of the House of Lords. We are doing some follow-up work on the water industry following our recent inquiry and the report that we produced. Our witnesses this morning are Professor Jim Hall, who is a commissioner on the National Infrastructure Commission, and Ed Beard, who is assistant director of the National Infrastructure Commission. Good morning and thank you for coming.

You will have seen the report that we have published and that in April the Government produced their plan for water. I wonder whether you can give us an overall view of what you think of the plan from the infrastructure point of view. To what extent do you think that what is in that plan will be deliverable in practice on a reasonable timescale?

Professor Jim Hall: Good morning. The commission has examined a number of aspects of water infrastructure, which we may wish to go into in today's discussions, particularly in relation to water resources, surface water flooding, asset management by the water industry and planning of significant infrastructure. We have not looked at water quality and CSO spills, and I can explain why if you wish.

Our evidence this morning will focus on the areas that we have worked on. In relation to each of those, from a water resources and water supply perspective, the commission has been pleased to see the steps that have been taken by government and the industry in relation to securing the resilience of national water supplies. The commission published a report in 2018 called *Preparing for a Drier Future*, which recommended a multitrack approach to water resource security, including action to halve leakage, reducing water demand and another 4 billion—4,000 million—litres per day of supplies.

The industry, with direction from government, has adopted those recommendations. It is bringing forward action on supply infrastructure. Leakage is going down, although we need to continue to act on that. On water demand, which the plan for water also expanded on, and water use, there are a number of things in the plan for water that we welcome, but the Government have not adopted the commission's recommendation for compulsory water metering and the introduction of smart meters.

Ed Beard: To clarify on the 4,000 megalitre gap, that was the gap we were trying to fill, of which about a third would be addressed by leakage, a third would be addressed by reducing demand for water, and the final third—so about 1,300 megalitres—would be new supplies or transfers.

Q2 **The Chair:** Can I ask you about the timescale and perhaps also about an issue that has caused a great deal of public concern recently? That is sewage discharge. We have heard evidence that that is causing a lot of people a lot of concern. Could you cover that aspect as well? In particular, could you focus on the timescale? It is fine to have plans, but

how quickly are we going to see some progress?

Professor Jim Hall: On timescale on water supplies, the overall goal that the commission set out was in relation to 2050, which is obviously some time ahead. There was an expectation of intermediate targets on leakage and bringing forward investments in strategic supply infrastructure. We are seeing action coming through now in the form of the companies' draft water resource management plans, regional water resource management plans and the RAPID initiative in Ofwat. These are investments that take time to materialise.

In terms of CSO spills and water pollution, as I said, the commission has not actually looked at this. At the time of the commission's first national infrastructure assessment, we were looking across six infrastructure sectors. In the water sector, we chose to focus on water supply. That is also extremely important for the environment. Over-abstractions can be as harmful as combined sewage discharges.

After the first national infrastructure assessment, the commission considered looking at CSO spills, but by that point the Government were already working on it, and duplicating that did not seem to be sensible. The commission's remit does not actually allow us to reopen settled government policy, and the Government's storm overflows reduction plan has settled their position. In the future, we will want to look again at CSO spills, but it is not something that we are looking at currently.

The Chair: That is disappointing for people who are so concerned about some of the horror stories that we have had. What would be your timescale for looking at that in the future? You say you want to look at it sometime, but on what timescale?

Professor Jim Hall: The commission will publish the second national infrastructure assessment later this year. After the publication of NIA2, the commission will review what next work areas it will be working on.

The Chair: Do you get a sense of urgency about the need to look at this?

Professor Jim Hall: Absolutely, yes. Another thing that will be going on in relation to the second national infrastructure assessment is assessment of affordability. The current investment plans for dealing with CSO spills will be included in our overall assessment of cost to water users.

The Chair: Do you want to add anything, Ed? We may take up that investment point.

Ed Beard: When the commission is asked to do a study on a particular area and then make recommendations to government, it is the Government who ask the commission. We cannot just say, "We're going to look at this". We can do that only as part of those national infrastructure assessments every five years. Clearly, we think it is important to look at that, but we would have to discuss the timescale for that with government.

Q3 Lord Cromwell: I hear your reasoning, but I echo our Chair's disappointment that this issue, which is so much in the public eye, is outwith what you are looking at, which slightly stymies what I wanted to ask you. What is your view on the level of investment that is actually needed? We have heard figures ranging from hundreds of billions to the government-announced £56 billion on the CSO side.

If you cannot talk to that, there is additional investment that you will have been looking at in the water sector. Can you give us a handle on how much that is likely to be, over what time period, and whether it is going to appear on consumer bills to some extent?

Professor Jim Hall: The areas we have looked at are surface water flooding and urban drainage. In fact, that intersects with CSOs as well. The commission published a report recently on surface water flooding. We analysed that about £12 billion of investment would be required to address surface water flooding partially; it is not possible to address it completely. There is that chunk of investment around surface water flooding.

There is the investment around water resources, strategic water supplies and leakage reduction. Those are being re-evaluated now in the context of the draft business plans and the RAPID programme. Then, as you say, the CSO investments go on top of that. We do foresee increasing water bills to pay for this investment. As I say, in the national infrastructure assessment we will be coming up with quantified estimates of what we estimate that will be and what the implications for bills may be.

Lord Cromwell: Anybody watching will want to know how soon they will find out those numbers. Can you give us any help on that?

Ed Beard: The second national infrastructure assessment is due to be published in October this year, so it will be done in time for that.

Lord Cromwell: You referred to the surface drainage. What is the investment going into? Is it big concrete tanks to hold water? What is it going to be spent on?

Professor Jim Hall: In our report on that, we very clearly emphasise that one should be seeking to deal with the surface water flooding above ground first. One should first stop the problem getting any worse by limiting the connection of new development. We are very pleased that, more or less immediately, the Government accepted our advice and went forwards with implementation of schedule 3.

The priority is to deal with surface water flooding through sustainable drainage systems (SuDS). One cannot solve the whole problem in every place with SuDS, so it will involve some underground drainage infrastructure through pipes, storage and so on. The main thrust of our report on surface water flooding was that that needed to be more joined up. This is not a problem that water companies can solve on their own. Their drainage management plans tend to look just at their own assets. We were saying very clearly that there need to be joint plans between

local authorities, water companies and other stakeholders to work out how, with a combination of surface and subsurface interventions, one can deal with surface water flooding.

Lord Cromwell: I would love to ask you more about that, but I will try the committee's patience. Ed, is there anything you wanted to add to what your colleague has said?

Ed Beard: Jim has covered that pretty well.

Lord Cromwell: Investors in this sector will look for stability and certainty as far as they can get it. Could the Government and Ofwat be doing any more to develop those levels of certainty? There is a question mark over whether the price review process is sufficiently frequent or detailed to do that. Do you have a view on that?

Ed Beard: In terms of the price review process, there will always be a balance between how regularly you are updating the business plans and the investment, and having a long-term framework against which investors can have the confidence that they will get a return in a given period. In many respects, five years feels about right for the regular price review.

We recognise that with things like Thames Tideway, which was a significant infrastructure project, and likely water resource projects coming, it is sensible to have a framework where you are considering them outside of the price reviews. The RAPID process, certainly for water resources, is taking that forward and looking at that. You are always striking a balance, but the balance is probably about right.

Professor Jim Hall: There is plenty of forward signalling as well, in the sense that the water resource management plans look ahead over a 25-year timeframe. Similarly, for the plans in relation to CSO spills, leakage and so on there are longer-term targets, so investors should know the direction of travel.

Lord Cromwell: Should there be greater use of third-party competition in some of these large infrastructure projects? You mentioned Thames Tideway, for example. Should there be more of that approach brought in?

Ed Beard: We support greater competition in that aspect. There is the direct procurement for customers, which Ofwat is trialling and taking through in the current price period, but there is also scope for that direct licensing of new developers building the infrastructure, as in the case of Thames Tideway. We recognise that it would be helpful if the Government were to amend the thresholds by which projects can qualify for that. Clearly, that enhances the competition for those schemes.

Q4 **Baroness Bowles of Berkhamsted:** The National Infrastructure Commission has recently raised concerns with Ofwat about the management of water company assets. I was wondering whether you could elaborate further on that and your concerns. What steps should be taken to improve understanding and management of the current and

future health of water company assets?

Professor Jim Hall: Thanks for that question, because this is a very interesting and important point. We arrived at this because we issued a call for evidence in our baseline report for the national infrastructure assessment. Several water companies raised with us the issue of funding of asset renewal. Having had that issue flagged, we put out a request for data from water companies to tell us more about their asset renewal planning. We heard from 12 of 15 of them, all of the water and sewerage companies.

That response illustrated a really quite varied approach to asset management and asset renewal across the sector, with different companies doing different things. Ofwat has its reporting metrics on mains repairs and unplanned interruptions. They are important, because they are observed and outcome-based metrics, but they are a reflection of current asset condition and stuff that has happened in the past. They do not give a forward indication of what level of investment is required to maintain the assets going into the future.

The commission recently wrote to Ofwat saying that we thought this question of asset management and asset condition needed to be looked at. There need to be more consistent metrics so that one can compare more consistently between water companies, and more forward-looking metrics so that as well as looking at current and past system performance we can project forwards what the future state of the asset base would be given different levels of investment in asset management.

Unfortunately, it is a story across infrastructure. Less is invested in asset management and maintenance than would be wise to maximise the asset performance. We think that the water industry can be better at looking forwards and getting the most out of its assets, as well as replacing assets at an appropriate rate, given the very old age of many of them.

Ed Beard: It is about understanding those assets, so the materials they are made of and the ground conditions they are in if they are buried assets. You need to understand that. That is not well understood in all cases. As Jim says, some of this infrastructure is very old and the water companies inherited it from their predecessors. Understanding that is vital, so there needs to be work on that.

Then, monitoring the performance of those assets will help to inform us of the direction of travel and whether they are getting worse. That forward look is ever more important with climate change in mind. What was a historic record may no longer be appropriate when you are making judgments going into the future. The pressures that climate change might bring to bear will be different and more significant than perhaps they have been in the past.

Baroness Bowles of Berkhamsted: We hear the criticisms that there has been too much sweating of assets and inadequate investment. Do you feel that that is the case—that it has not been done for cost reasons

and, therefore, there has basically been troubleshooting rather than planned maintenance?

Professor Jim Hall: We do not have enough information to actually say. The water companies have told us that they are concerned about that. Because of the price review process, there has not been as much invested in asset upgrade and renewal as they might have hoped. The starting point for reaching a view on that is to have better information about current asset condition, rates of deterioration, what the asset base might be like in the future, including in the context of climate change, and how much it might cost in order to maintain an improved condition. We need a lot more information on all of those things.

The Chair: Does that not suggest that we are very much behind the curve in what we should be doing? Given the amount of money that the water companies have taken out by way of profits, do you have any view on how they have balanced their dividends compared with their investments?

Professor Jim Hall: We do not have a view on water company finances looking backwards. However, there is quite a lot of variation across the industry. In relation to this question of asset management and asset condition monitoring, there are some examples of good practice and innovation. Innovation brings a lot of opportunities in terms of sensors, big data and so on. At least as far as we can tell for now, the situation is very patchy.

Lord Cromwell: On the question of monitoring data, do you support the view that water company monitoring data should be made publicly available and in real time?

Professor Jim Hall: The commission does not, I think, have a formal position on that, but the short answer is yes. The more we understand about the systems and the more open they are to public scrutiny, the better the decisions will be.

Lord Cromwell: Is that the verdict of you both?

Ed Beard: I would agree with Jim on that. Transparency is a good thing in terms of understanding.

Q5 **Lord Agnew of Oulton:** Good morning, Professor. I am very interested in the use of soft engineering solutions to a lot of these issues. You touched on storm overflow with Lord Cromwell, but you said that it needed co-ordination across multiple agencies. My own experience has been that that is almost impossible to achieve without some strong convening force. To my mind, you have at least the water company, the Environment Agency, Natural England, the local authority, the county council and Defra. Who has the power to bring all those people into a room and make them come up with a solution? It is so easy for them, in their siloed thinking, just to say, "Computer says no". Why are you not doing more of that in your role?

Professor Jim Hall: I agree with you, and the commission's advice is very much in line with what you have just said. Our advice was that there need to be joint, time-bound, costed plans with associated funding. That funding will come from more than one direction. Some of it will come from water companies; some of it will come via the Environment Agency and local authorities.

There needs to be a joint commitment to how surface water flooding will be dealt with, including with nature-based solutions, starting above ground, and a sequence of investment plans—an investment pathway—in every high-risk locality in a way that can then be monitored. People can assess progress and see how the risk of surface water flooding is going down.

The Government have not yet responded to our advice on surface water flooding, so it remains to be seen whether that architecture that we recommended will be put in place. We very much hope that it will be.

Lord Agnew of Oulton: In the meantime, surely you could be running some pilots as the convenor, bringing all these people together to run some of these. You say that the funding has to be drawn from all different places, but the reality is that, if they went down this route, the water companies would save huge sums of money against hard infrastructure building. They could easily lead in the funding. It is all the regulatory stuff that is so asphyxiating.

I would ask why you cannot run some pilots. The Government are clearly sitting on their hands, but you can provide them with some strong evidence. I have seen that on sewage outfall treatment, using reedbeds, for example, where they are able to reduce phosphate levels from eight to one at a cost of probably a 10th of what the hard landscaping plus all the chemicals was costing. Why can you not show a bit more leadership on this?

Ed Beard: The challenge we face is that we are a very small organisation, so we do not have the capacity to run pilots. We can draw on the good practice that is out there. There are some very good examples. Severn Trent, in relation to Mansfield, has taken a leadership role in the way you describe of trying to resolve a surface water flooding problem as well as a storm overflow problem. It is leading in the plan and the funding. It got an allowance as part of the green recovery to take forward and fund the work.

One key issue it has discovered is that once you have a plan and you know what you are trying to achieve, when other players are undertaking activity you can intervene and say, "If you do something in a different way, that will be a double benefit. You would still get the outcome you were looking for, but we will benefit as well". That showed that there is good work and that planning works. We have shown the evidence that it is there in practice, but it is for the Government, who have some initiatives out there to try to move forward on these issues, to respond to our recommendations.

Lord Agnew of Oulton: How long have the Government been sitting on their hands on your recommendations? What do you think we, as a committee, should do to get them to get off their hands?

Ed Beard: We published our surface water flooding report at the end of November last year. The Government usually take six to 12 months to respond to our recommendations, so we are hoping that Defra will be working on the joint response from government and that they will respond in due course. I am sure it would be helpful if the committee were to remind them that they owe the commission a response on that.

Lord Clement-Jones: Good morning. I am following up again on the surface water flooding issue raised by Lord Cromwell and Lord Agnew. We have heard that the Government have not yet responded, although it seems that they have announced their intention to implement schedule 3. Maybe you might unpack that and say whether you got any indication of when that intention will be realised. What about the other players? We have Ofwat. We have the Environment Agency. Have they engaged with the issues you have raised and the recommendations you have made?

Professor Jim Hall: Ofwat, in its methodology for PR24, has made a shift that makes it a bit easier for the water companies to bring forward the SuDS and the nature-based solutions, which we were arguing should be the first thing one thinks about when looking at surface water flooding. We are pleased with that development. However, on the overall architecture that we are recommending of the main stakeholders being obliged to develop joint plans and work out the finance for those, as we have said we are waiting for government to respond to that advice.

Ed Beard: That is fair. Ultimately, it is Defra that sets the framework and policy in which the other institutions will then be working. We need it to show leadership in responding to us so that it can take that forward.

Lord Clement-Jones: What do you need from government? We have heard the degree of co-ordination that is required, and you are really saying that other agencies—the Environment Agency, for instance—will need to respond to government, rather than take their own initiative, in a sense. What is now needed? Do you have a very clear idea as to the steps that now need to be taken?

Ed Beard: As Jim has said, joint plans, in which all the relevant stakeholders are invested, are needed, so that they have all agreed the outcomes they are trying to deliver and understand where their responsibility lies. The difficulty with these assets is that they are owned and operated by a number of players. It is about agreeing a joint plan, but then having the confidence that the funding, whether it is public sector in reducing flood risk, or water company in improving its assets, comes together and is delivered to that plan. There is a role, moving on beyond the current duty to co-operate, which is expected of the different risk management authorities when it comes to flooding, towards compulsion to deliver a joint plan.

Lord Clement-Jones: That would require legislation.

Ed Beard: It would certainly require a change in the current approach, yes. Drainage and wastewater management plans were a step in that direction, but they were still on the duty to co-operate side. They were trying to bring together many of these issues, but led by water companies.

Lord Clement-Jones: The Government have not yet responded in a positive fashion to say that, yes, they will legislate, presumably.

Ed Beard: No. This is until they issue their response to our specific recommendations.

Lord Clement-Jones: Has the Environment Agency made positive noises?

Ed Beard: The discussions we have had at a working level vary. There were nine recommendations, and the appetite an organisation has for particular recommendations depends a bit on which organisation you are talking to. For example, we said that there should be a devolution of funding to local authorities so that they can fulfil their role without having to bid into the Government's central pot. If you talk to local authorities, there is a good appetite for that, but not necessarily in some of the other institutions. Until we have a response, it is not really for us to say where Government are on that. The process of the response is being led by Defra, so the other agencies will be feeding into that for a single government response as opposed to coming up with their own responses.

Lord Clement-Jones: Presumably without the legislative powers, or whatever it may be, there is nothing further that Ofwat can do or comment on at this stage.

Ed Beard: I do not think there is. As I say, there is a lot that is already possible. As Jim has said, we think that the PR24 methodology allows for an improved role for water companies. We already have examples—I mentioned Severn Trent—of where the water company has decided on its own initiative to take a leadership role. That works in the current regulatory regime. Ofwat was able to enable it to recover the costs of its proposals, so it can work. It is just the ambition from all parties to take that further and make it work more frequently.

Lord Clement-Jones: More encouragement from the Secretary of State, allied to some teeth at the back in terms of legislation, is needed.

Ed Beard: That would work. You see that with DWMPs, in a sense that they were voluntary until the Environment Act came into force to make them a regulatory process in future. For the first set of schemes, it was very much the initiative from Defra to the water industry to come up with these schemes. To its credit, the water industry embraced that and is proceeding with these. That will inform PR24. Those plans would have been developed on a voluntary rather than a statutory basis.

Lord Clement-Jones: When do you expect the Government to respond to this?

Ed Beard: I think they will respond within the 12 months, so I would expect a response this year.

Lord Agnew of Oulton: Are you getting any mood music coming back from them, asking, "Can you explain this point a bit more?" or "Who should we talk to?", so that you get a sense that it is not just sitting in a cupboard somewhere?

Ed Beard: There have been discussions, so I am confident that officials are actively thinking about the responses they will be making. They have a lot of clearance process to go through on their side before they would ever have the response.

Lord Clement-Jones: Perhaps the question is whether they are apprised of the issues. They are taking what you have said seriously.

Ed Beard: Yes. They even mentioned the study in the plan for water as one thing that has been happening. Maybe it was the Environment Agency in its annual flood report. They have signposted that we have issued the report and they will respond. It is not sitting in a cupboard.

Q6

Lord Gilbert of Panteg: I want to probe a bit on the plan for water and the national policy statement for water resource infrastructure. Do they meet the following three tests? Do they provide clarity and impetus to ensure future supply, in your view? Specifically, will reservoir and transfer schemes move more quickly and seamlessly through planning? That seems to me to be critical. Will they see a reduction in demand or will we need to go harder faster on metering? Those are the three tests. Do you think that the plan and the statement meet those tests?

Professor Jim Hall: The plan for water at a high level has a strong commitment to enhancing the resilience of water supplies in the future and recognises the supply-demand gap coming up. It pretty much takes on board the commission's recommendations, as we have said, with respect to the role of water supply infrastructure.

Flowing through into the new water resource infrastructure national policy statement, we are pleased with that because it makes specific recommendations with respect to water resource management plans. That is where the overall need for new infrastructure translates into specific and timebound infrastructure plans via the WRMPs. Given that they are referred to in the NPS, that really helps to get those through the planning process.

There is a question that Ed may also wish to comment on: the thresholds for the scale of infrastructure that comes within the remit of the NPS. Did that answer your three questions?

Lord Gilbert of Panteg: I think so. I want a sense from you as to your level of confidence that, when it is implemented, these plans and

approaches will deliver in those three areas. Will we see faster planning? Will we see the impetus that we require to ensure future supply? Will we see a reduction in demand?

Professor Jim Hall: Demand was the piece I did not come back on, sorry. On the supply side, we are certainly seeing things changing now in the scale of ambition in the infrastructure planning process through water resource management plans, the regional plans and RAPID. The pressure needs to be kept up there. There is a potential concern that, because of the scale of investments required to deal with CSO spills, those strategic water resource investments could get squeezed out of companies' investment plans. That is something very much to keep an eye on.

In terms of water demand, in the commission's annual progress report we expressed some doubt and concern. Even though the words and ambition with respect to water demand and water use are there, as are the targets, we were not completely convinced that we can guarantee that the action in place in the plan for water and other government policies will add up to the ambition for demand reduction. In particular, as I have said, government did not accept our recommendation in relation to compulsory metering.

Ed Beard: In terms of the confidence in the planning system, we issued a report on a study we did into planning in April this year. That looked at the planning for large infrastructure projects across all our sectors, so not just water specifically but also energy and transport. If the Government get back to regularly updating these national policy statements for planning, that will provide a framework that appears to deliver schemes in a reasonable timescale.

At the moment, that timescale has become dragged out, for a number of reasons, central to which is the fact that the uncertainty has increased because the Government have not reviewed these policy statements sometimes for 10 years. The water one is very new. It ticks a lot of the things we think make a good planning statement. As Jim said, one thing we recommended in that report was that you have to be alive to the thresholds and technology. As that evolves, whatever sector you are dealing with you need to revise those plans and, if necessary, the Planning Act and the thresholds that are in there, to make sure they are still accommodating the right sort of scale of infrastructure.

The Chair: If I was sitting in your position, I would be extremely frustrated. You are coming up with ideas, solutions and plans, but you are also sitting there waiting for other people to take on board what you are saying with insufficient leverage to actually make things happen. Are you frustrated in that way?

Professor Jim Hall: We are partially frustrated, in the sense that, as I have said, a number of things that were recommended in our *Preparing for a Drier Future* report have kicked off some really quite significant movement. This work in the water industry to bring forward strategic

infrastructure investments on the supply side is a big difference compared to what we have seen over the last couple of decades.

The last reservoir to be completed in this country was 30 years ago. Now, there are serious plans under consideration for new reservoirs, water transfers and wastewater reuse. We have a target on leakage and the progress being made by water companies to get leakage down. It is going to get harder to bring it down further. We will be looking very carefully, as will Ofwat, at how leakage comes down. As we have said, the element of frustration, or at least caution, is on the demand side, in the sense that although there are commitments and policies, we are not sure whether they have sufficient teeth to arrive at the targets.

Ed Beard: One benefit we have is that, when we make a recommendation, the Government have to listen. They can endorse the recommendation and move forward, as Jim has described in many respects. If they do not agree with our recommendation, they have to say what their alternative is. They cannot just say, "It's not a problem", if we have identified it. They would have to come up with what they will do to address the concern.

We have that benefit that the Government have put themselves under an obligation to do that: to respond to us and either take forward what we recommend or come up with an alternative. Jim mentioned our annual report. That is our opportunity to test those recommendations or the Government's approach. Are they making the progress that is needed within the timescales we think? We have the ability to call the Government out and make sure that they are moving forwards.

Q7 Lord Agnew of Oulton: You hit the nail on the head with these national planning strategies. They are the absolute blocker in the system. I was a benighted Minister who tried to accelerate that process and completely failed. Have you offered any suggestions to the Government on how they could accelerate these? To explain to other members of the committee, the older they are, the less relevant they are to a government's manifesto, so the more challengeable they are under JR. As you say, once they get to more than about six or seven years old, they are very vulnerable. Do you have any solutions for how they can update these? It sounds simple. Lots of people make these trite statements, but I was tangled in this for two years and failed completely.

Ed Beard: As part of our planning study, we made a recommendation that the Government should put themselves under a statutory obligation to update these things at least every five years. There was an ambition that they would be updated every five years, but that did not happen, so there should be a statutory requirement for that and the appropriate department would have to respond to that if it is not updating it.

We also recommended that the Government should be seized by this and have a high-level central unit challenging where things are not happening, whether that is updating an NPS or just the progress of particular schemes. Our recommendation suggested that that should

answer to the Prime Minister or the Chancellor. It should not be left to a Secretary of State in a department hoping that good will would move things forwards. There has to be a bit more of a robust process.

Lord Agnew of Oulton: This is all in your report, is it?

Ed Beard: Yes, on the planning.

Professor Jim Hall: On that planning report, besides the aspects that Ed has referred to, particularly the need for much more rigour to bring NPSs up to date, we recommended that they should be as specific as possible, because that guards them to some extent from judicial review. There should be a more strategic approach to the environment, so that government actually helps to provide data resources that will enable evaluation of environmental impacts. Rather than evaluating on a project-by-project basis only, a more strategic environmental impact assessment will help to look at the cumulative aspect of significant infrastructure in the round and get a bit less tangled up in the weeds, if you like, of individual projects.

The Chair: That would make me feel even more frustrated if I was doing one of your roles.

Lord Cromwell: Just showing my ignorance, you say that the Government are required to respond and to give explanations for their alternatives if they do not take them up. Is that response published?

Ed Beard: Yes, they will publish a response. For the national infrastructure assessment, the national infrastructure strategy was the government response to that whole cross-cutting one. Each study that we publish will have a published response.

Lord Cromwell: A colleague will ask you about water metering. I would be interested as to why they pushed back on that.

Q8 **Lord Burns:** What was the explanation as to why they are against mandatory metering of water? Is it a convincing explanation? Is it to do with the timescale, or is it an absolute no?

Ed Beard: It was not an absolute no, in the sense that they embraced the need for more compulsory metering. There is a mechanism by which that can happen. The Environment Agency can designate areas of the country as under water stress. If a water company is in one of those areas, it can run a compulsory metering scheme and move customers on to metering.

I think the Government felt that there is a mechanism in place that addresses the areas that are under most stress. In fact, in part in response to our recommendation, I think, they increased the area that was included as under water stress, so more water companies have that option. They still have to justify, to Ofwat and in the business plan, that there will be a good outcome from that. They have moved it a bit, but there is a direction of travel on metering, which is that it is increasing.

Already over 50% of customers are on meters. Even without further pushing, that was on a trajectory towards over 80% and 90%, if you look at government reports. We were recommending going further and perhaps a bit faster, but I think the Government felt that there was a trajectory and that a more defined process was adequate.

The Chair: You have given us some food for thought there, so thank you for your evidence. We will of course be publishing the transcript and our conclusions at a later date. Thank you both for your evidence this morning.